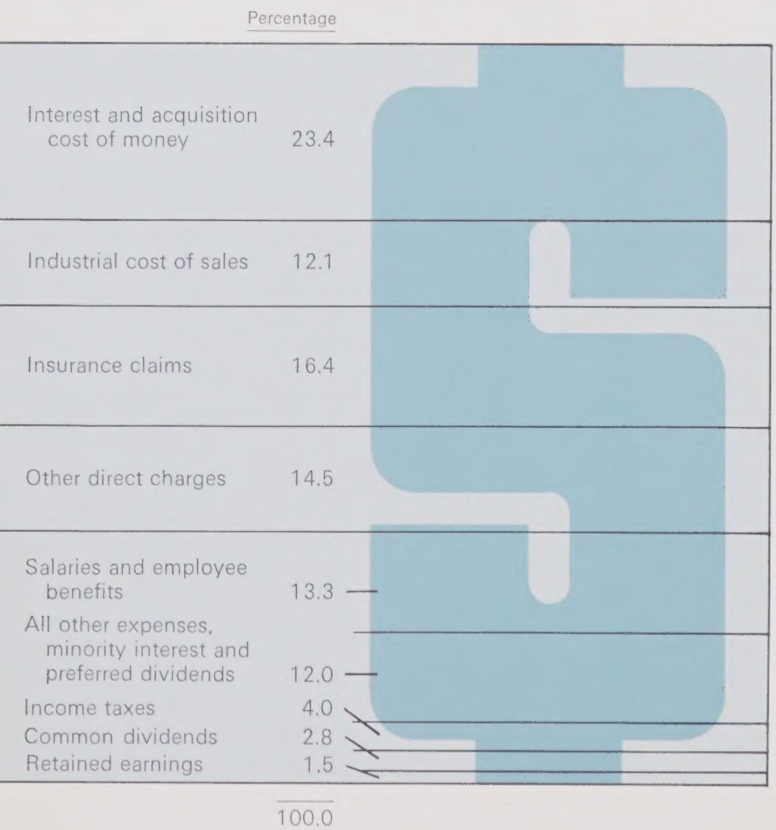
TRADERS
GROUP LIMITED

annual report 1967

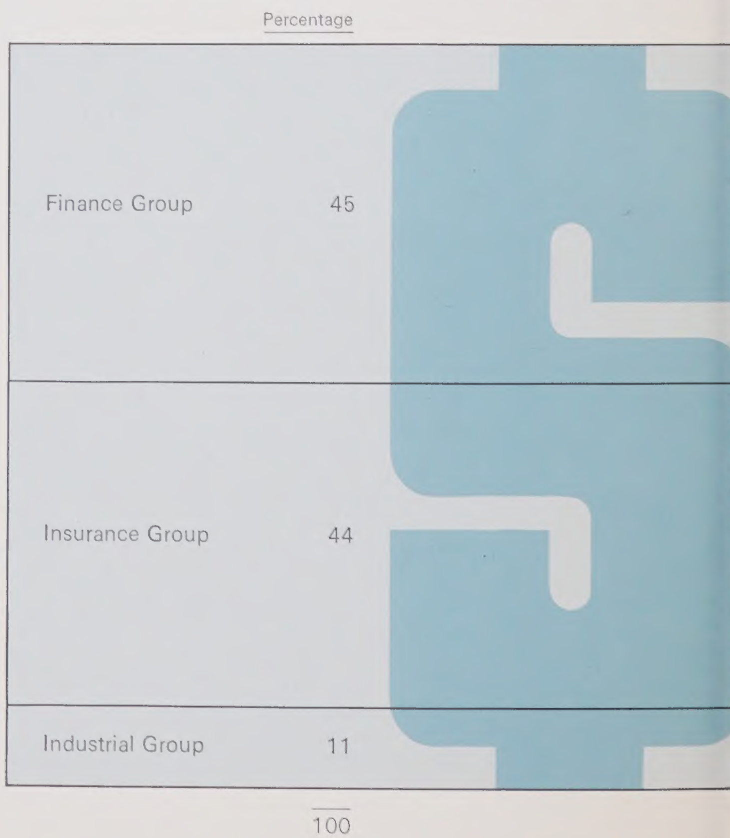
HIGHLIGHTS OF THE YEAR'S OPERATIONS

		1967		1966
Consolidated assets		$521,737,253		$523,651,131
Total income		93,448,522		95,169,319
Profit for the year before income taxes and minority interest		$ 8,596,844		$ 7,256,764
Income taxes		3,735,219		3,108,610
Profit for the year before minority interest		4,861,625		4,148,154
Minority interest in net profits of subsidiaries		137,198		167,408
Net profit for the year		4,724,427		3,980,746
Interest on income funding rights	$ 8,960		$ 9,016	
Dividends on preferred shares	701,804	710,764	715,272	724,288
Available for common shares		$ 4,013,663		$ 3,256,458
Earned per common share		91 cents		74 cents
Paid per common share		60 cents		80 cents
Dividends on common shares		$ 2,652,055		$ 3,536,073
Common shares outstanding		4,420,091		4,420,091
Number of shareholders				
Common		15,542		15,703
Preferred		3,066		3,105

Distribution of consolidated gross income dollar—1967



Source of amount available for common shares—1967



TRADERS GROUP LIMITED

47TH ANNUAL REPORT December 31, 1967

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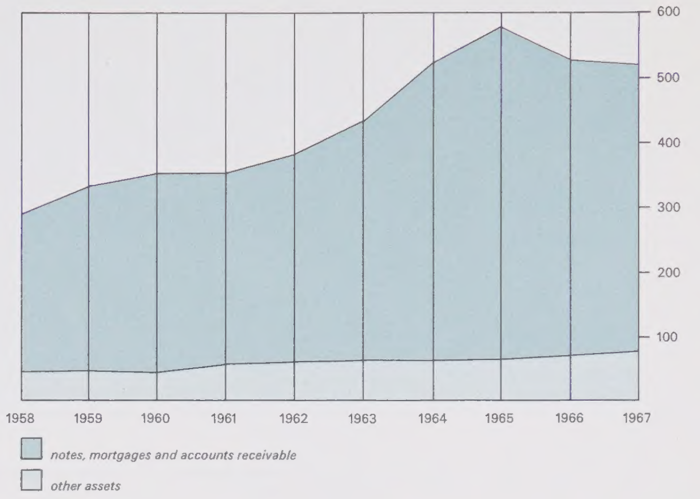
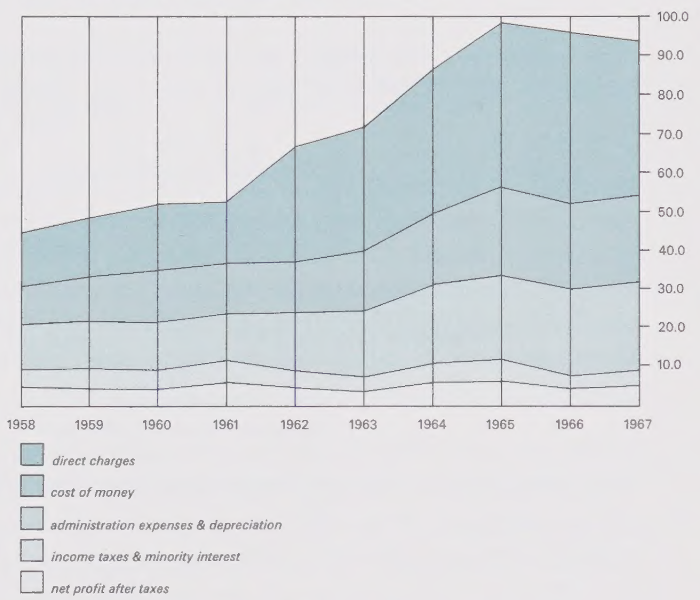
"Best of Industry Award" in North America for quality of design and content was won by the 1966 Annual Report of Traders Group Limited. Contest is sponsored annually by Financial World, New York, to foster higher financial reporting standards by corporations to their shareholders.

TRADERS GROUP LIMITED—1958-67
CONSOLIDATED TOTAL ASSETS



TRADERS GROUP LIMITED—1958-67
DISTRIBUTION OF CONSOLIDATED GROSS INCOME



Canadian sales finance companies are today providing leadership in the disclosure of financial and statistical information on their operations. Traders Group Limited, in addition to its Annual Report, provides major institutional investors in Canada and the United States with a wide range of reports through the year. These include Quarterly Reports to Shareholders, Collateral Trust Note Prospectuses and the Canadian Sales Finance Long Form Report (CANSAF), incorporating Robert Morris Questionnaires and Corporate Financial Statements.

TRADERS GROUP LIMITED

Incorporated under the laws of Canada—Executive Offices, 625 Church St., Toronto

DIRECTORS

J. WILSON BERRY
Chairman
Guaranty Trust Company of Canada

P. P. DAIGLE
Vice President
Daigle & Paul, Limited

H. E. DYNES
Executive Vice President
Corporate Finance Group
Traders Group Limited

W. W. EVANS, C.A.
Executive Vice President
Corporate Treasury & Administration
Traders Group Limited

H. R. JACKMAN, Q.C., LL.B.
President
Dominion and Anglo Investment Corporation Limited

D. W. NAYLOR
Executive Vice President
Corporate Development
Traders Group Limited

K. B. PALMER, O.B.E., Q.C., D.C.L.
Counsel
Borden, Elliot, Kelley & Palmer

J. H. RATCLIFFE, C.B.E.
Chairman
McLeod, Young, Weir & Company Limited

B. H. RIEGER
Vice President
Canadian Corporate Management Company Limited

W. F. SPRY, F.I.I.C.
Chairman
Canadian General Insurance Company

R. M. WILLMOTT
President
Traders Group Limited

EXECUTIVE OFFICERS

R. M. WILLMOTT
President

H. E. DYNES
Executive Vice President
Corporate Finance Group

W. W. EVANS, C.A.
Executive Vice President
Corporate Treasury & Administration

D. W. NAYLOR
Executive Vice President
Corporate Development

G. E. WHITLEY
Secretary & Legal Counsel

E. A. A. WIGHTON, C.A.
Treasurer

DIVISION OFFICERS

J. J. BOURBONNIERE
Vice President
Homeplan Division

E. W. FINGARSON
Vice President
Realty & Mortgage Division

E. W. FLANAGAN
Vice President
Personal Loan Division

A. V. STEELE
Vice President
Consumer Financing Division

G. D. WALLACE
Vice President
Industrial Financing Division

Auditors

Price Waterhouse & Co., Chartered Accountants

Transfer Agents and Registrars

Guaranty Trust Company of Canada—Toronto, Montreal, Winnipeg, Calgary, Vancouver
Bank of Montreal Trust Company, New York

Trustees

Collateral Trust Notes—The Royal Trust Company   *Debentures*—The Canada Trust Company

Shares Listed

Toronto Stock Exchange   Montreal Stock Exchange   Vancouver Stock Exchange

Bankers

Bank of Montreal   Banque Canadienne Nationale   Canadian Imperial Bank of Commerce
The Provincial Bank of Canada   The Royal Bank of Canada   The Toronto-Dominion Bank

R. M. WILLMOTT, *President*

TO THE SHAREHOLDERS

Your directors submit herewith the Consolidated Balance Sheet and the Consolidated Statements of Profit and Loss and Surplus of Traders Group Limited and its subsidiary companies, for the year ended December 31, 1967.

The company's gross income for 1967 amounted to $93,448,522, compared with $95,169,319 for the previous year. Net profit in 1967 was $4,724,427, compared with $3,980,746 for the year 1966.

After payment of interest on Income Funding Rights and dividends on Preferred Shares, net profit available for Common Shares for the year 1967 was $4,013,663, compared with $3,256,458 in 1966. On 4,420,091 Common Shares outstanding at December 31, 1967 earnings were 91 cents per share, compared with 74 cents per share on the same amount of shares outstanding at the previous year end. There were no unusual or non-recurring items of income included in consolidated profit and loss in the year 1967.

The increase in earnings per common share of 23 per cent in 1967 is significant and gratifying against the background of difficulties created by the unprecedented conditions in the Canadian money market. Never in the history of the company has the pressure on profits been more acute with respect to the cost of borrowed funds than in the year under review. Not only have long term funds been in short supply, but the steady escalation in interest costs has made extensive use of additional funds, of both the long and short term, subject to careful assessment.

As an indication of the trend in money costs, the average interest rate on bank borrowings and short term funds increased last year by .80 per cent. The average interest rate on long term funds on the books of the company, through new issues during the year and through refunding of maturing issues, increased by .33 per cent. The increase in the average interest rate on all your company's borrowings at the present time is .46 per cent greater than a year ago.

Three major items of expense in the Consolidated Statement of Profit and Loss should be commented upon. Interest paid by the company in 1967 amounted to $20,694,460, compared with $20,660,095 in 1966. Although interest rates were consistently higher, the total cost to the company in 1967 was almost equal to 1966 because of the lower average amount of funds in use.

General and administrative expenses of $21,551,108 in 1967 were 5.7 per cent higher than the total of $20,389,988 in 1966. In the light of the current competitive trend in salaries and the general upward trend in overhead, your management is making every effort to reduce expenses consistent with the need to maintain a proper working environment.

Credit losses charged to operating income in 1967 amounted to $5,095,634, compared with $6,136,953 in 1966—a decrease of $1,041,319 or 17 per cent. Every company in the Group made a contribution to this impressive improvement by continued stress on sound credit granting practices and by strong collection efforts.

Balance Sheet

Total assets were $521,737,253 at December 31, 1967, compared with $523,651,131 at the end of 1966. Reference should be made to page 16 for detailed explanation of the balance sheet items.

Two items on the asset side of the balance sheet are particularly worthy of comment. The allowance for doubtful accounts at December 31, 1967 totalled $5,774,086, compared with $6,985,828 at the previous year end. The 1966 figures pertaining to Traders Group Limited contained certain items that were known losses but for which reserve was fully provided. These accounts were written off in 1967, leaving an adequate provision for the receivables outstanding at the year end.

Investments having a quoted market value amounted to $39,418,443 at December 31, 1967, compared with $29,779,230 at December 31, 1966, an increase of $9,639,213. As indicated in last year's report, short term notes of the parent company that were held as investments by subsidiary companies and consequently were eliminated on consolidation, totalled $6,370,000. These notes were redeemed during the year and the funds were reinvested in marketable securities. In addition, the unearned portion of premium income of the insurance companies was invested, together with the profit remaining after payment of dividends.

During 1967 the following long term Collateral Trust Notes were issued:

$16,700,000	Series AI 7¼% due July 1, 1987 (repayable in United States funds).
5,000,000	Series AJ 7¾% due September 15, 1987.
$21,700,000	

In addition to the above, a Series AI Note in the amount of $1,000,000 was sold for delivery February 15, 1968. This Note was delivered and payment was received on that date. Of the proceeds of the sale of Series AI Notes, $10,000,000 was used to refund an equal amount of Series Q 4¾% Notes which would have matured June 30, 1968. On February 15, 1968, $6,000,000 Series P 4¾% Notes were redeemed.

Finance charges, under the heading Unearned Income, increased from $34,456,154 at December 31, 1966 to $39,388,670 at December 31, 1967—an increase of $4,932,516 or 14 per cent. Your company continues to move in the direction of reduced acquisition costs with resulting benefits to income in future years. Commencing in 1967, the allowance for acquisition costs on instalment contracts,

affected by consumer protection legislation enacted by various provinces during the year, was reduced so that the relevant unearned income would be sufficient to provide for prepayment rebates.

Operations

Full details on the operations of Traders Group Limited and the principal subsidiary companies are outlined in the "Review of Operations" section, commencing on page 18 of this Report. The review, it will be noted, contains more detail than in previous annual reports. We believe this is in accord with the needs and interests of shareholders today.

It will also be observed that in dealing with the operations of the three principal groups—Finance, Insurance and Industrial—considerable emphasis has been placed on the scope of management actions taken during the past year to deal with problems of costs and profit control. These are problems in no way unique to Traders but common to all businesses in today's competitive and swiftly changing economic environment.

As already pointed out in these comments, the company in 1967 had to cope with steadily rising money costs, both short and long term and which, by the year end, had reached very high levels. In order to maintain a strong competitive position we found it practical to pass on only a small part of the extra interest cost burden to certain of our customers.

It is significant, therefore, that the company's more stable earnings in 1967 were generated by greatly improved management effectiveness. Shareholders were previously advised that the senior management group was reorganized and expanded in mid-1966. The company was fortunate in having a number of young, aggressive and highly-qualified managers. They were promoted to newly-created senior positions, with considerably broadened responsibilities and authority. In addition, new people were brought into the company where those with the required qualifications were not available within the organization. We have now had a full year's experience with the new management group. It has performed well.

All department heads are now required to develop and administer their activities on a fully integrated planning basis, with coordination from the Director of Planning, Mr. R. M. Price. Mr. Price joined the company last year to fill a new position, which reports to the President. We believe the introduction of the corporate planning concept, as it involves effective control of all costs and sources of profit in the company, will have far-reaching benefits in terms of Traders future.

General

During 1967 a number of senior company personnel took an active and influential part in a wide range of external activities of value to the company and our industry. Mr. W. W. Evans, Executive Vice President—Treasury & Administration, completed a two-year term of office as President of the Federated Council of Sales Finance Companies. He continues as a Director of Federated Council. Noteworthy among the Council's achievements last year was its participation with The Investment Dealers' Association of Canada in the development of the Canadian Sales Finance Long Form Report ("CANSAF"). It constitutes the industry's first minimum standard of information disclosure and has been well received by investors in Canada and the United States.

In its development and communication, major contributions were made by Mr. E. A. A. Wighton, Treasurer, and Mr. D. A. Heeney, Director of Public Relations. Mr. Evans also served as President of the Better Business Bureau of Toronto for a one-year term. In the area of provincial government interest disclosure legislation, the company's Secretary and Legal Counsel, Mr. G. E. Whitley, directed the industry's liaison with the provinces and was instrumental in obtaining a measure of uniformity in some of the regulations. Mr. P. C. Statler, Director of Personnel, was invited to be one of the Canadian delegates from industry, labour and government to attend the Duke of Edinburgh's Third Commonwealth Conference on "Human Problems of Industrial Development and Re-development", to take place in Australia in May, 1968. Mr. E. W. Flanagan, President of Trans Canada Credit Corporation Limited, was named a Director of the Canadian Consumer Loan Association. Many other company executives were in demand as speakers to major association groups.

In June, 1967, the Honourable Ray Lawson resigned as a director of the company in order to lighten his responsibilities. Mr. Lawson was first elected to the Board in April, 1948 and was of great assistance to the company during his many years of service.

Outlook

In the face of the currently unpredictable situation with respect to interest rates on short and long term funds, the diversified make-up of the company's operations will continue to be important in maintaining the company's profit position. The outlook for both the Finance and Insurance groups in 1968 is favourable, barring any significant down-turn in the economy. The earnings of the Industrial Group in 1968 are likely to be below those of last year due to the general slowdown in major building activity which is anticipated for the balance of 1968.

To ensure the profitability of the company under the conditions forecast for 1968, available funds will be concentrated on a conservative basis in higher yield loans. At the same time, programs initiated in 1967 to reduce the company's administrative costs and increase productivity at all levels will be accelerated. We believe that the company is now equipped with the management resources to deal positively with economic and competitive pressures and has established a sound base on which to realize our corporate growth potential when general economic conditions permit an aggressive expansion of business volume.

Submitted on behalf of the Board.

March 26, 1968.

President

AUDITORS' REPORT

PRICE WATERHOUSE & CO.
55 Yonge Street, Toronto 1.

March 1, 1968.

To the Shareholders of
TRADERS GROUP LIMITED:

We have examined the consolidated balance sheet of Traders Group Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of profit and loss and surplus for the year then ended. Our examination of the financial statements of Traders Group Limited and the majority of its subsidiary companies included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiary companies. The assets of these companies, as included in the consolidated balance sheet, amount to 3.55% of the total consolidated assets.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations for the year then ended, on a consolidated basis, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in the method of computing unearned finance charges as set out in Note 8 to the consolidated financial statements.

Price Waterhouse & Co

Chartered Accountants.

TRADERS GROUP LIMITED *AND SUBSIDIARY COMPANIES*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
Gross income from operations	$91,095,798	$93,339,795
Investment income	2,368,847	1,730,092
Profit (loss) on sale of securities	(16,123)	99,432
	93,448,522	95,169,319
Direct operating charges*	62,019,605	65,959,639
General and administrative expenses (including $232,263 remuneration of salaried directors and directors' fees, 1966—$191,769)	21,551,108	20,389,988
Depreciation and amortization of fixed assets	1,280,965	1,562,928
	84,851,678	87,912,555
Profit before income taxes and minority interest	8,596,844	7,256,764
Income taxes	3,735,219	3,108,610
Profit before minority interest	4,861,625	4,148,154
Minority interest in net profits of subsidiaries	137,198	167,408
Net profit for year	$ 4,724,427	$ 3,980,746

	1967	1966
*Direct operating charges—		
Interest paid by the company on—		
Collateral trust notes—bank loans	$ 4,146,068	$ 4,391,587
—short term	2,821,602	3,961,322
—long term	10,329,656	8,801,963
	17,297,326	17,154,872
Debentures	3,397,134	3,505,223
	20,694,460	20,660,095
Mortgage interest	263,688	266,183
Other interest	622,235	869,086
Cost of acquisition of borrowed money (net of discounts on purchases and redemptions, 1967—$396,754; 1966—$349,905)	276,675	173,899
	21,857,058	21,969,263
Industrial cost of sales	11,332,476	15,741,157
Insurance claims	15,313,964	14,849,171
Credit losses	5,095,634	6,136,953
Other direct charges including commissions and registration	8,420,473	7,263,095
	$62,019,605	$65,959,639

TRADERS GROUP LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1967

	1967
Balance January 1	$23,643,634
Adjustments arising during the year*	(170,566)
	23,473,068
Consolidated net profit for the year	4,724,427
Less:	
Interest on income funding rights (net of subsidiary holdings)	8,960
Dividends on cumulative redeemable preferred shares—	
4½% (net of subsidiary holdings)	136,366
5%	58,298
5% convertible, Series A	507,140
	710,764
Available for common shares	4,013,663
Dividends on common shares	2,652,055
	1,361,608
Balance December 31	$24,834,676

*Adjustments arising during the year—	
Changes in holdings in subsidiaries	$ 27,317
Amortization of cost of issuing Series A preferred shares, net of gain on redemption	(121,803)
Transfer to contingent reserve	(76,080)
	$ (170,566)

Consolidated surplus consists principally of retained earnings and is reduced by the net excess of the purchase price of the shares in subsidiary companies over their book value when acquired.

As a result of the redemption of Series A preferred shares $546,750 of the above surplus is designated as Capital Surplus under Section 61 of the Canada Corporations Act.

TRADERS GROUP LIMITED *AND SUBSIDIARY COMPANIES*

CONSOLIDATED BALANC

ASSETS

		1967
CASH IN BANK		$ 4,304,254
NOTES, MORTGAGES AND ACCOUNTS RECEIVABLE:		
Instalment contracts	$292,113,053	
Wholesale advances	55,680,413	
Interest bearing loans	85,264,351	
Real property held for resale (Note 2)	4,354,783	
Mortgages	6,750,731	
Loans to associated companies	2,562,696	
Accounts receivable	11,307,690	
	458,033,717	
Less—Allowance for doubtful accounts	5,774,086	
		452,259,631
INVENTORIES OF SUBSIDIARY COMPANIES (Note 3)		5,352,533
INVESTMENTS, AT COST:		
Investments having a quoted market value (Indicated market value $38,230,889; 1966—$30,180,772)	39,418,443	
Investments in associated companies	1,436,929	
Other investments	1,516,628	
		42,372,000
		504,288,418
FIXED ASSETS:		
Land, at cost	2,689,498	
Buildings and equipment, at cost	17,292,444	
	19,981,942	
Less—Accumulated depreciation	6,835,314	
	13,146,628	
Unamortized cost of assets in hands of lessees	183,681	
		13,330,309
OTHER ASSETS:		
Unamortized cost of borrowed money	3,444,889	
Unamortized cost of issuing Series A preferred shares	673,637	
		4,118,526
		$521,737,253

APPROVED ON BEHALF OF THE BOARD:

R. M. WILLMOTT *Director*

W. W. EVANS *Director*

HEET—DECEMBER 31, 1967

LIABILITIES

		1967
PAYABLES:		
Accounts payable and accrued charges	$ 5,737,571	
Wholesale due to manufacturers	8,635,407	
Interest accrued	3,542,057	
Dividends payable	851,103	
Income taxes	3,159,886	
Insurance claims	14,534,971	
Dealers' credit balances	7,531,838	
		$ 43,992,833
DEFERRED INCOME TAXES (Note 4)		2,422,070
SECURED DEBT (Notes 5 and 6):		
Collateral trust notes—bank loans	59,250,000	
—short term	40,801,700	
—long term	186,374,515	
	286,426,215	
Bank loans of subsidiaries	5,310,000	
Mortgages and mortgage bonds	5,734,814	
		297,471,029
OTHER DEBT:		
Debentures of the company (Note 7)	56,702,500	
Debentures of subsidiary	1,180,000	
Notes payable by subsidiaries	1,664,500	
		59,547,000
		403,432,932
UNEARNED INCOME:		
Finance charges (Note 8)	39,388,670	
Insurance premiums	13,896,189	
		53,284,859
MINORITY INTEREST IN CAPITAL AND SURPLUS OF SUBSIDIARIES		1,080,415
CAPITAL AND SURPLUS (Note 9):		
Preferred shares	14,117,010	
Common shares	24,042,447	
	38,159,457	
Contingent reserve (Note 10)	944,914	
Surplus	24,834,676	
		63,939,047
		$521,737,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—DECEMBER 31, 1967

1. Subsidiary Companies

The following table sets forth, as at December 31, 1967, the details of all investments in the subsidiary companies included in the accompanying consolidated financial statements.

	Effective % held by company	Total capital and surplus of subsidiary	Investment at cost	Advance from the company
Finance Group				
Trans Canada Credit Corporation Limited	100.00	$ 1,720,680	$ 1,010,000	$ 51,400,000
Traders Realty Limited	100.00	781,819	31,000	31,950,000
Interprovincial Building Credits, Ltd.	99.94	4,715,558	3,138,795	28,560,000
Subsidiaries—				
Traders Mortgage Company	99.16	721,986	489,512	—
Homeplan Realty Limited	99.94	3,000	3,000	—
Aetna Factors Corporation Ltd.	90.00	914,195	921,805	2,150,000
Traders Properties (Church St.) Limited	100.00	5,000	5,000	1,146,019
Domac Realty Limited	100.00	33,303	324,656	—
Sudbury Garage Properties Limited	100.00	26,392	40,800	58,000
Forest Glenn (Dixie) Limited	100.00	683,526	275	—
Traders Developments Limited	100.00	390	520	1,500
Subsidiaries—				
Traders Developments (Kitchener) Limited	80.00	(2,680)	400	—
Traders Developments (Windsor) Limited	100.00	(1,237)	500	—
Insurance Group				
Traders General Insurance Company	98.81	2,948,777	1,448,564	—
Canadian Insurance Shares Limited	97.25	2,232,069	1,275,596	—
Subsidiaries—				
Canadian General Insurance Company	94.71	8,093,946	1,030,744	—
Toronto General Insurance Company	92.28	6,460,490	812,375	—
Industrial Group				
Frankel Steel Construction Limited and subsidiaries	100.00	5,129,005	3,962,216	—

2. Real Property Held for Resale

These properties were acquired as a result of foreclosure action on loans in default and are valued at the lower of the principal balance of the loan at the date of foreclosure or the estimated realizable value for each property after deducting first mortgages in the amount of $1,073,980 (1966—$85,017).

Prior to December 31, 1967 foreclosure action had been commenced in respect of further loans. These loans are carried in the balance sheet at approximately $5,000,000 which is the estimated realizable value of the properties involved, after provision for anticipated losses and prior charges.

3. Inventories of Subsidiary Companies

Industrial Group—	
Unfabricated steel and supplies valued at the lower of average cost or replacement cost	$1,312,395
Estimated value of jobs in progress, less progress billings	2,339,211
	3,651,606
Finance Group—	
Inventory of land under development, at cost	1,700,927
	$5,352,533

Finance and Industrial Groups—

Deferred income taxes—

Deferred income taxes arise when accounting income exceeds taxable income as a result of the inclusion of revenue and expense items in taxable income in periods other than those in which they are included in income for accounting purposes. The amount deferred represents a provision for future taxes payable when accounting income will be lower than taxable income.

Income taxes payable for 1967 exceed the provision on the accounting profits by $146,013 and this amount has therefore been transferred from deferred income taxes to income taxes payable.

Insurance Group—

Deferred income taxes—

Consistent with prior years and practice in the general insurance industry, no provision has been made for deferred income taxes on unearned premiums of the insurance group which are carried at approximately 80% of the amount permitted for income tax purposes.

Income taxes payable—

Current income taxes payable have been reduced by $237,000 as a result of loss carry-forward provisions of income tax legislation.

(a) Bank loans—

Series C notes to secure demand bank borrowings are issued and cancelled from time to time in such amounts as are required		$59,250,000

(b) Short term notes—

Canadian funds	$35,414,200	
United States funds	5,000,000	
	40,414,200	
Exchange at forward contract rates on notes repayable in United States funds	387,500	
		$40,801,700

(c) Long term notes—

Series		Maturity date		Maximum annual purchase fund	Issued	Balance outstanding
P	4¾%	February	15, 1968	$ —	$ 6,000,000	$ 6,000,000
R	4½%	April	15, 1970	—	10,000,000	10,000,000
S	4½%	April	1, 1976	—	10,000,000	10,000,000
*T	4¾%	May	1, 1971	—	10,000,000	10,000,000
U	5½%	January	2, 1969	—	6,300,000	6,300,000
*V	5⅜%	May	1, 1977	—	10,000,000	10,000,000
W	5¾%	June	15, 1972	—	2,000,000	2,000,000
X	5¾%	April	1, 1979	—	7,500,000	7,500,000
Y	5¾%	September	15, 1981	375,000	15,000,000	13,520,000
Z	5¾%	April	15, 1983	250,000	10,000,000	9,486,000
*AA	5¼%	May	15, 1983	250,000	10,000,000	9,250,000
AB	5¾%	May	1, 1984	250,000	10,000,000	9,590,500
AC	5¾%	September	15, 1984	375,000	15,000,000	14,113,500
AD	5¾%	April	15, 1985	375,000	15,000,000	14,382,500
*AE	6¼%	April	1, 1986	—	12,500,000	12,500,000
†AF	6¾%	June	15, 1981	250,000	10,000,000	9,750,000
AG	7¾%	December	1, 1970	—	4,850,000	4,850,000
AH	7¾%	December	1, 1986	78,750	3,150,000	3,072,000
*AI	7¼%	July	1, 1987	—	16,700,000	16,700,000
AJ	7¾%	September	15, 1987	125,000	5,000,000	5,000,000
				$2,328,750		184,014,500
Exchange at date of acquisition on notes repayable in United States funds						2,360,015
						$186,374,515

**Repayable in United States funds.*

†With warrants exercisable to June 15, 1976 to purchase Class A common shares at the rate of 20 such shares per $1,000 principal amount of Series AF notes, at the price of $13 per share.

Subsequent to the year end the company issued an additional $1,000,000 U.S. 7¼% Collateral Trust notes Series AI for a cash consideration of $1,086,875 and the 4¾% Series P notes were repaid on maturity.

6. Mortgages and Mortgage Bonds

The mortgages, secured on certain real property of the company and its subsidiaries, bear interest rates from 4% to 7¾% and mature at various dates from 1972 to 1983 inclusive. The bonds bear interest at 4½% and mature 1968 to 1978.

7. Debentures

	Maturity date	Annual sinking fund or maximum annual purchase fund	Issued	Balance outstanding
Sinking Fund—				
5¼%	May 15, 1968	$ —	$ 6,500,000	$ 4,071,500
5%	April 15, 1969	100,000	4,000,000	2,605,000
4¾%	May 1, 1969	—	4,000,000	119,000
5½%	October 1, 1969	100,000	4,000,000	2,609,500
4¾%	March 15, 1971	150,000	6,000,000	4,350,000
5%	September 15, 1972	125,000	5,000,000	3,625,000
5¾%	March 1, 1973	150,000	6,000,000	4,500,000
5¾%	October 15, 1974	125,000	5,000,000	3,875,000
6¾%	April 15, 1975	150,000	6,000,000	4,975,500
		900,000		
Purchase Fund—				
6%	October 15, 1982	225,000	7,500,000	6,897,000
6%	November 1, 1984	180,000	6,000,000	5,792,000
6%	June 1, 1985	120,000	4,000,000	3,858,000
†6½%	November 15, 1970	300,000	10,000,000	9,425,000
		$1,725,000		$56,702,500

†With warrants exercisable to November 15, 1972 to purchase Class A common shares at the rate of 25 such shares per $1,000 of principal amount of debentures, at the price of $15 per share.

8. Unearned Finance Charges

Unearned finance charges on instalment contracts are computed by the sum of the digits method presuming contracts to be purchased at the middle of each month, less an allowance for acquisition costs.

Commencing in 1967, the allowance for acquisition costs on instalment contracts so affected was reduced so that the relevant unearned income would be sufficient to provide for prepayment rebates in accordance with the consumer protection legislation enacted by various provinces during the year. In addition, the allowance for acquisition costs on certain other similar contracts purchased in 1967 was reduced. The effect of these changes was to increase unearned finance charges by $890,000 and to decrease net profit after income taxes by approximately $435,000.

9. Capital

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Cumulative redeemable preferred shares—				
4½% preferred shares of $100 par value	35,000	$ 3,500,000	35,000	$ 3,500,000
Less—Held by subsidiaries			5,022	502,200
			29,978	2,997,800
5% preferred shares of $40 par value	125,000	5,000,000	125,000	5,000,000
Less—Converted to Class A common shares, in prior years			95,851	3,834,040
			29,149	1,165,960
Preferred shares issuable in series with a $30 par value	800,000	24,000,000		
†Series A 5% convertible preferred shares			350,000	10,500,000
Less—Purchased and cancelled (of which 11,950 shares were purchased during the year)			18,225	546,750
			331,775	9,953,250
				$14,117,010

†The Series A preferred shares are convertible into two Class A common shares for each Series A preferred share held up to October 1, 1968, and at that rate plus $2.00 for each Series A preferred share converted after October 1, 1968 up to and including the expiry of the conversion privilege on October 1, 1971. The terms of issue of the Series A preferred shares include a provision for a purchase fund by which the company is to apply (subject to certain conditions) $210,000 in each year commencing in 1966 to the purchase for cancellation of the Series A preferred shares, to the extent that such shares are available for purchase by the company at a price not exceeding $28 per share plus costs of purchase. To December 31, 1967 the company had applied $421,211 for the purchase of 18,225 Series A preferred shares.

	Authorized	Issued Shares	Issued Amount
Common shares, without nominal or par value—			
Class A	6,000,000	3,700,091	$23,562,447
Class B	720,000	720,000	480,000
		4,420,091	$24,042,447

Class A common shares reserved for issue:

	Expiry date	Price	Number of Class A common shares reserved
Upon conversion of Series A preferred shares	Oct. 1, 1968	$15	663,550
	Oct. 2, 1968 to Oct. 1, 1971	16	
On exercise of stock purchase warrants issued with—			
6½% Debenture due November 15, 1970	Nov. 15, 1972	15	250,000
Series AF Collateral Trust notes due June 15, 1981	June 15, 1976	13	200,000
			1,113,550

Income funding rights:

There are outstanding 13,653 Series A and 6,171 Series B income funding rights (of which 11,451 are held by subsidiaries) with a total aggregate face value of $507,287. Non-cumulative interest at the rate of $1.00 per annum per right is payable out of the net profits of each fiscal year or to the extent that such profits are available before payment of dividends on the preferred shares. In the event of liquidation, the income funding rights rank after the 4½% cumulative redeemable preferred shares but in priority to all other preferred shares and to the common shares.

10. Contingent Reserve

	December 31 1967	December 31 1966
Finance Group		
Provision for possible exchange losses on long term debt repayable in United States funds, arising from devaluation of the Canadian dollar in 1962—		
Balance January 1	$830,114	$ 689,714
Less—Provision for foreign exchange loss on Series Q Collateral Trust notes included therein	322,280*	—
	507,834	689,714
Add—Transfer from earned surplus for the year	76,080	140,400
	583,914	830,114
Insurance Group		
Contingent reserve of insurance subsidiaries	361,000	361,000
Balance December 31	$944,914	$1,191,114

*Realized loss on prepayment of Series Q notes	$811,875
Deduct—Amount attributable to current year charged in cost of borrowed money	157,895
	653,980
Less—Reduction in income taxes arising therefrom	331,700
	$322,280

11. Contingent Liabilities

As at December 31, 1967 the company and its subsidiaries in the normal course of business have guaranteed present and future advances to and letters of credit for customers and associated companies in the aggregate amount of $4,235,330.

The company is also guarantor in the amount of $2,883,728 with respect to first mortgage advances by the principal lender on joint mortgages in which the company and certain subsidiaries participate.

12.

The premises formerly occupied by a subsidiary company were expropriated by the Municipality of Metropolitan Toronto and possession was given in October, 1963. Pending settlement of the company's claim against the municipality, expenses attributable to the move to new premises have been deferred and no adjustment has been made for the cost of fixed assets which could not be moved and which have been replaced at the new premises.

EXPLANATION OF BALANCE SHEET

The following information on certain items supplements the Notes to the Consolidated Financial Statements. All amounts quoted are in thousands of dollars. Additional information on maturities of operating assets and liabilities and an analysis of notes, mortgages and accounts receivable is shown on page 27.

ASSETS

NOTES, MORTGAGES & ACCOUNTS RECEIVABLE

Instalment contracts

Traders Group Limited	$ 210,593
Trans Canada Credit Corporation Limited	31,243
Interprovincial Building Credits, Ltd.	50,277
	$ 292,113

Outstanding balances which included finance charges, principally arose on the purchase of instalment sales obligations resulting from sales of automobiles, trucks, industrial and commercial equipment, and other durable goods.

Wholesale advances

Traders Group Limited	$ 54,823
Trans Canada Credit Corporation Limited	9
Traders Realty Limited	848
	$ 55,680

Advances which arose from the financing of dealer inventories of durable goods and included $8.6 million not payable by dealers to manufacturers at the balance sheet date. See "Wholesale due to manufacturers" on page 17.

Interest bearing loans

Traders Group Limited	$ 24,885
Trans Canada Credit Corporation Limited	28,744
Traders Realty Limited	20,939
Aetna Factors Corporation Ltd.	10,696
	$ 85,264

The outstanding balances on loans on which the interest is charged monthly.

Mortgages

Finance Group	
Traders Mortgage Company	$ 2,793
Traders Realty Limited	592
Interprovincial Building Credits, Ltd.	68
Domac Realty Limited	528
	3,981
Insurance Group	2,770
	$ 6,751

These are first mortgages on land and buildings and for the Insurance Group are N.H.A. mortgages.

Loans to associated companies

Loans to associated land development companies secured by mortgages on real property.

Accounts receivable

Finance Group —wholesale finance charges and sundry accounts receivable	$ 2,314
Insurance Group—premiums due from agents	6,320
Industrial Group —trade accounts	2,674
	$ 11,308

Allowance for doubtful accounts

Finance Group	
Traders Group Limited	$ 3,050
Trans Canada Credit Corporation Limited	1,325
Traders Realty Limited	171
Interprovincial Building Credits, Ltd.	399
Traders Mortgage Company	42
Aetna Factors Corporation Ltd.	567
	5,554
Insurance Group	49
Industrial Group	171
	$ 5,774

These amounts are considered adequate to meet credit losses and were based on a systematic review of all accounts by management.

INVESTMENTS

Investments having a quoted market value

	Market	Cost
Investment in Guaranty Trust Company of Canada and in other companies	$ 6,474	$ 5,575
Insurance Group	31,757	33,843
	$ 38,231	$ 39,418

Investments in associated companies

Finance Group	$ 995
Industrial Group	442
	$ 1,437

The above consists of the share of partnership profits earned but not yet received in cash.

Other investments

Minority investment by Traders in companies to which advances have been made.

FIXED ASSETS

Land, buildings and equipment

	Cost				
	Land and Buildings	Equipment	Total	Accumulated Depreciation	Net Book Value
Finance Group	$10,630	$4,846	$15,476	$4,461	$11,015
Insurance Group	—	809	809	346	463
Industrial Group	1,085	2,612	3,697	2,028	1,669
	$11,715	$8,267	$19,982	$6,835	$13,147

Land and buildings included revenue-producing properties at a cost of $7.2 million. The remaining fixed assets are required for the operation of the business.

Unamortized cost of assets in hands of lessees

The cost of these assets is amortized in full over the term of each individual lease.

OTHER ASSETS

Unamortized cost of borrowed money

The discount or commission on each issue of long term collateral trust notes or debentures and on each short term note is amortized over the term of the issue or note. On prepayment, unamortized discount is written off.

Unamortized cost of issuing Series A preferred shares

The cost of issuing the Series A preferred shares is being amortized to surplus over the six years to October 1, 1971, the date on which the privilege of converting into Class A common shares expires. The appropriate unamortized cost is written off to surplus on conversion, purchase or redemption.

LIABILITIES

PAYABLES

Accounts payable and accrued charges

Finance Group	$ 3,201
Insurance Group	1,666
Industrial Group	871
	$ 5,738

The major portion of the Finance Group total is balances of factored accounts payable to clients. The remaining balances are ordinary accounts payable and accrued charges.

Wholesale due to manufacturers

Amounts payable by Traders to manufacturers for stock in hands of dealers at December 31, 1967; due principally January 1 to 15, 1968.

Insurance claims

Liability for outstanding insurance claims based on a detailed review of open claim files and a provision for late reported claims.

Dealers' credit balances

Amounts owing to dealers which will be paid to them or applied in settlement of amounts owing to the company.

SECURED DEBT

Collateral trust notes

The collateral trust notes are secured by (a) a first fixed and specific mortgage and charge of and upon instalment obligations and/or approved securities and by (b) a first floating charge on the undertaking and other property and assets of the company.

Bank loans of subsidiaries

Aetna Factors Corporation Ltd.	$ 3,063
Traders Mortgage Company	2,247
	$ 5,310

These loans are made to the above subsidiaries and are secured by receivables and other similar assets.

Mortgages and mortgage bonds

Mortgages payable		
Finance Group		$ 4,665
Industrial Group		549
		$ 5,214
Mortgage bonds on Traders Building	$ 1,252	
less—held by Insurance Group	731	
		521
		$ 5,735

Mortgages payable by the Finance Group consist mainly of mortgages on the rental property assumed on the acquisition of these properties and mortgages on inventory of land under development by subsidiaries.

OTHER DEBT

Debentures of subsidiary

The outstanding balance of an issue made by Interprovincial Building Credits, Ltd. prior to its acquisition by Traders.

Notes payable by subsidiary

Aetna Factors Corporation Ltd.	$ 1,664

UNEARNED INCOME

Finance charges

	% to Instalment contracts outstanding	
Traders Group Limited	9.0	$ 19,034
Trans Canada Credit Corporation Limited	16.4	5,124
Interprovincial Building Credits, Ltd.	30.3	15,231
		$ 39,389

The unearned finance charges will be taken into income in the future as instalments are due.

CAPITAL AND SURPLUS

Common shares

	Shareholders	%
In Canada	14,927	96
Non-resident	615	4
	15,542	100

Finance Group

The benefits of the corporate reorganization, which was implemented in June, 1966, following two years' study and development, became apparent in the improved management performance of the four line divisions—consumer, personal loan, industrial and homeplan—of the Finance Group in 1967.

Noteworthy was the favourable impact on the profitability of these divisions, despite an average net reduction of $17 million in funds in use and an increase in the cost of available funds. Contributing to the profit improvement was the introduction of new management controls at both the field and Head Office level. These were highlighted by new branch operating statements, a review and updating of various cost and profit control policies, continued improvement and updating of performance statistics which facilitated a reduction in branch expenses and the emphasis in all portfolios on high quality loans.

It is anticipated that the money supply for the Finance Group in 1968 will continue to be limited and more expensive than in 1967. All divisions in the Group will, therefore, continue to make every effort to improve the yield from their business activity to offset, wherever possible, the effect of current high money costs. At the same time, extensive studies will be undertaken early in 1968 to examine closely the divisions' branch systems and procedures. The objective is to further increase the productivity of staff in the divisions which will contribute to greater profitability. The branch systems study will include examination of the effectiveness of existing customer services and marketing approaches.

In 1967 the Finance Group undertook to implement the marketing concept of "co-ordinated" branch sales offices in which two or more finance divisions are located under one roof. Where this multi-division branch office concept has been implemented to date, it has permitted a reduction in administrative expenses, particularly with respect to office rentals. The flexibility of this concept, in conjunction with the proposed branch systems study, should provide the basis for additional savings in the future. The co-ordinated branch arrangement also facilitates better customer service and control because customers have access to a greater range of the company's credit services in one office complex.

In addition, a planned program to re-locate divisional branch offices in modern ground level locations was initiated in 1967 to deal with the negative reaction of the public to the finance industry's traditional second and third floor "walk-up" sales premises. Modernization of branch offices will be continued in 1968 among branches whose rental leases are due for renewal.

With competition in the credit system accelerating, the Finance Group is benefiting from the company's long-standing concept of market specialization. Customers are becoming more sophisticated in their use of credit and of the credit sources available

to them. The company's service specialization enables customers to deal with company personnel experienced in the particular type of financing they seek. This approach to the marketplace assures the viability of the Finance Group and its flexibility to meet changing market conditions in the future.

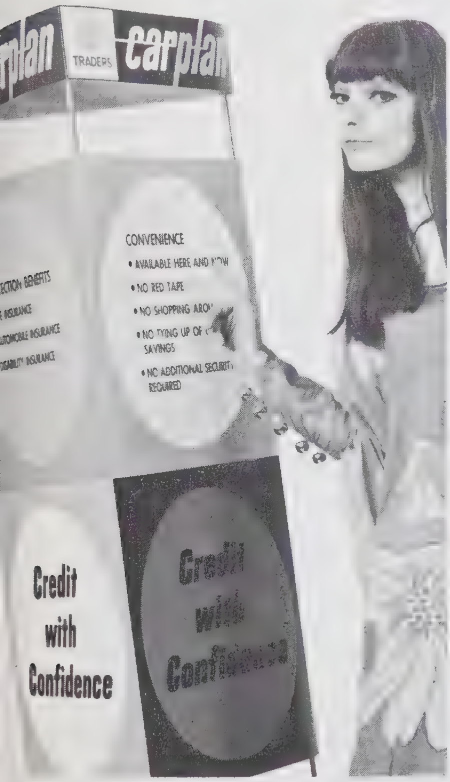
Consumer Financing Division

	1967	1966
Outstandings	$171.4 million	$175.9 million
No. of Branches	93	96

The Consumer Financing Division, which manages the company's largest portfolio of receivables, completed its first full year of operation in 1967 under the Finance Group's new divisional marketing concept. The division's portfolio is made up of approximately 75 per cent automotive financing, which has been the company's traditional business and 25 per cent industrial equipment financing.

New management techniques and procedures, arising from the reorganization, produced substantial improvements in the division's operating and profit performance. The level of funds in use by the division in 1967 was little changed from 1966. The division's total outstandings were $171.4 million at the 1967 year end, compared with $175.9 million in 1966, a decrease of 3.9 per cent. However, retail volume increased 12 per cent by advantageous use of available funds, particularly those formerly employed in the lower yield capital loans and leasing business.

Brand name merchandising was conducted for the first time in 1967 by the Consumer Financing Division to make auto buyers at the point of purchase more aware of Traders services.



A program to modernize branch sales office interiors was initiated in 1967, particularly where offices were relocated.

The most significant results were those related to increased income and the reduction of operating costs. To improve income, the division introduced early in the year a dealer yield analysis program. This program measured the yield of dealers in both the low yield areas of wholesale, leasing and capital loans and in the high yield area of retail financing. As a result of the program, a profitability standard was established to enable management to take action to improve the yield on funds in use. This achieved a corresponding improvement in the income of the division.

In addition, new expense forecasting and branch budgeting techniques produced a reduction in branch operating expenses. Division management also placed increasing emphasis on improving or eliminating marginally profitable branch locations. Two service offices and one operating branch were closed.

Although arrears in the division achieved a 10-year low in 1966, another substantial decrease of almost 25 per cent was realized in 1967. Also, repossessions outstanding were reduced 40 per cent in 1967, compared with 1966. These improvements resulted from a combination of the write-off of non-working assets and tighter control of credit and collections.

1967 saw the introduction of the division's first brand name merchandising program, called "Carplan". It was designed to make automotive dealers, salesmen and customers more aware of Traders auto finance services. The brand name concept is the first of its kind in the Canadian sales finance industry.

Personal Loan Division

	1967	1966
Outstandings	$60.0 million	$50.8 million
No. of Branches	111	112

Trans Canada Credit Corporation Limited, the personal loan division of Traders Group Limited, recorded outstanding improvement in 1967. A net profit, after taxes, of $287,000 was achieved, compared with a net after tax loss of $508,000 in 1966.

Concept of "co-ordinated" branch sales offices, in which two or more finance divisions are located under one roof, was introduced by the Finance Group in 1967. Here are the combined offices of Traders Group and Trans Canada Credit in Kingston, Ontario. The new ground-level premises also feature the divisions' newly-designed exterior illuminated signs.

Contributing to this improvement was an 18 per cent increase in total outstandings, from $50.8 million in 1966 to $60.0 million in 1967. The loan portion of the portfolio increased by 23 per cent and this rate of growth was above the industry average.

The division's improved management performance was reflected by a 14.5 per cent increase in gross income and, at the same time, a 7 per cent decrease in branch operating expenses. Net credit losses declined from 5.1 per cent in 1966 to 1.7 per cent in 1967. The latter was accomplished coincident with a build-up of the allowance for doubtful accounts. The growth in income was realized while effecting a reduction in the acquisition charge which, in itself, increased unearned income by $540,000. Total unearned income at December 31, 1967 represented 16.4 per cent of related receivables, compared with 12.1 per cent at the 1966 year end.

Management action was also taken in 1967 to ensure that the current and future growth of the division's outstandings is soundly based. To this end, an extensive review of credit policies was made. Changes involved establishing a new credit granting philosophy which incorporated more clearly defined limits of credit granting authority.

The personal loan division accomplished a major reduction in customer arrears in 1967. On 90-day past due accounts, arrears had been reduced at the year end to 3.8 per cent of outstandings, compared with 5.8 per cent at the end of 1966. This was the lowest level since 1962 and trend projections indicate further improvement can be expected in 1968.

It is anticipated that there will be continued improvement in the profitability of Trans Canada Credit Corporation in 1968, despite increasing competition.

Industrial Financing Division

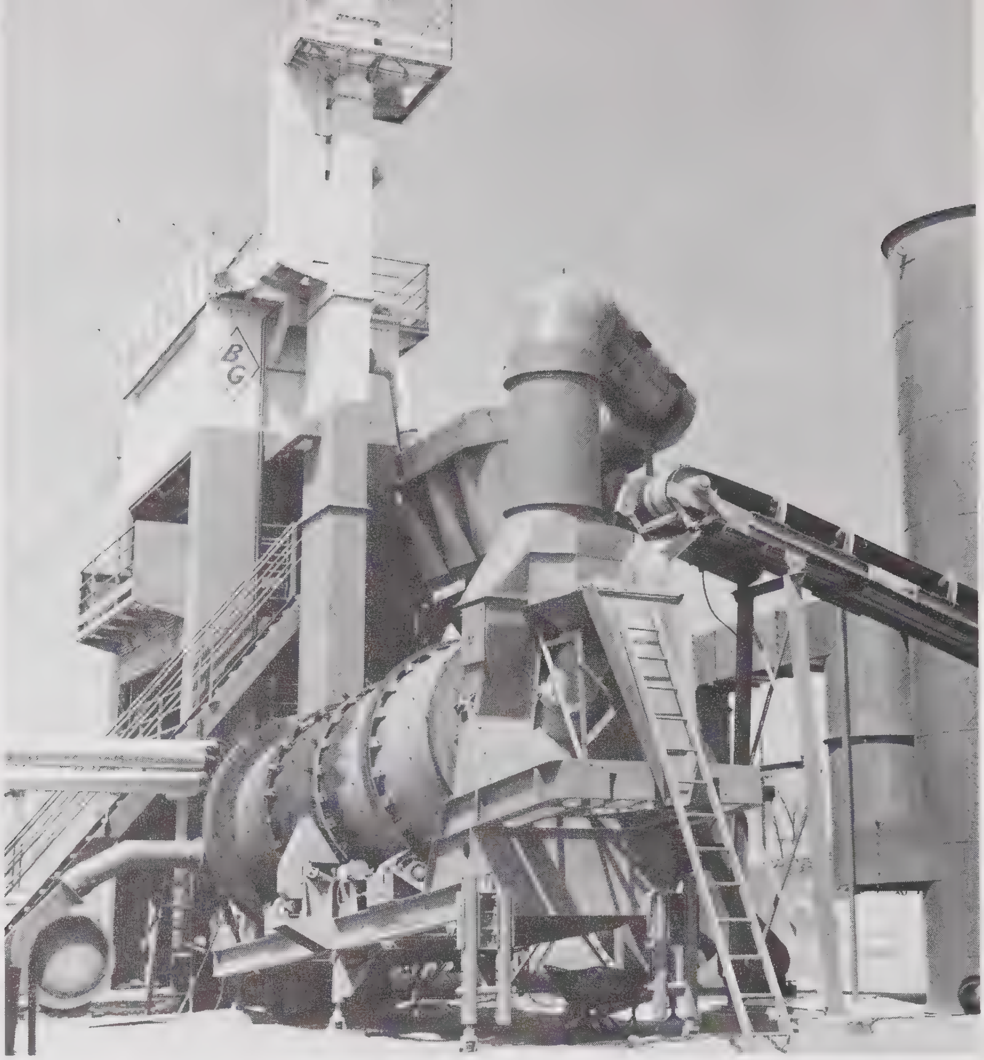
	1967	1966
Outstandings	$91.2 million	$85.9 million
No. of Industrial Branches	9	9
No. of Co-ordinated Branches	79	78

Structured to provide highly specialized financing services to large and small businesses in diversified industries, the Industrial Financing Division achieved significant improvements in all profit and administrative areas.

It should be noted that of Traders Group's total industrial equipment outstandings, approximately 50 per cent is the direct responsibility of the Industrial Financing Division. The balance is handled on a co-ordinated basis through the Consumer Financing Division.

Consolidated industrial business in 1967 increased by 12.5 per cent. This had the effect of increasing outstandings 5.8 per cent, from $85.9 million in 1966 to $91.2 million in 1967.

The division achieved a substantial profit improvement through careful appraisal of new business and closer supervision of accounts at all levels, which was made possible by the new divisional product line structure in the Finance Group.



The Industrial Financing Division serves a wide range of businesses by providing purchase credit for many types of revenue-producing equipment. Above is an asphalt-making plant.

Major reductions were achieved with respect to arrears and repossessions outstanding. Strong management control and concentration on higher yield business will have a favourable carry forward effect in 1968.

Homeplan Division

	1967	1966
Outstandings	$50.3 million	$43.9 million
No. of Branches	20	20

Interprovincial Building Credits, Ltd., the Homeplan Division of Traders Group Limited, continued to maintain a high quality in its portfolio of receivables. Major activities were confined to the financing of cottages and building supplies for home improvements in both rural and urban areas across Canada.

IBC produced encouraging results in 1967 and is recognized today as the leader in its field. Outstandings increased last year by 14.6 per cent over 1966, from $43.9 million to $50.3 million. Volume purchased in 1967 increased by 27.7 per cent over the previous year.

IBC reduced its arrears in 1967 to an all-time low of 2.2 per cent of outstandings, which is an indication of the high quality of the loans made by the company. Present credit policies will be continued.

A wholly-owned subsidiary company was incorporated in 1967 under the name of Homeplan Realty Limited. In 1968, IBC management will begin rural home and cottage financing in this new company which, under its charter, permits the granting of mortgages on a direct basis to the customer. The new company also has marketing advantages which will appeal to IBC dealers and retail customers alike. The "Homeplan" brand name was first introduced four years ago in the marketing of IBC's cottage financing and, as a marketing identity, has proven highly successful.

Realty & Mortgage Division

As contemplated in last year's operational review, the continuation of limits on purchasing targets permitted only a nominal increase in new lending by the division. However, improved yields resulted in increased net earnings. Although the land development subsidiaries did not acquire new lands in 1967, their profit contribution to consolidated earnings from subdivisions under development increased for the fourth successive year.

Traders Realty Limited—Volume of new loans during 1967 was $7,104,000. Reflecting the reinvestment of portions of the Mortgage Department's cash flow, outstandings were reduced during the year by 15.7 per cent, from $35,945,000 to $30,295,000. Investment of portfolio funds in shorter term transactions and at higher yields, together with strict control of administrative expenses, contributed to improved earnings. Further progress in these important operational areas is

Rapidly developing market for the Homeplan Division is the recreational home or cottage. Financing is arranged for customers through lumber, building supply and prefabricated home dealers who use the division's credit facilities.

planned for next year. All of the remaining properties of Gnu Developments Limited were sold during 1967 and a nominal recovery against original loss provisions was made.

Forest Glenn (Dixie) Limited—With the exception of a small number of apartment sites, all of the residential lots in this company's first two major subdivisions have been sold. Servicing of the final phase of an apartment land complex in Cooksville, in which Forest Glenn has an interest, is expected to be completed by late summer. All blocks have been sold. Development of the remaining major land holding adjacent to the Metro Toronto area is not expected to get under way for at least two years. Earnings of Forest Glenn (Dixie) Limited at its November 30 year end were nominally ahead of the same period in 1966.

The Green Glenn Developments project in Edmonton, Alberta, in its initial stage, is progressing more slowly than had been forecast. Sales in the first phase have been satisfactory, but, due to the shortage of mortgage funds, builders are constructing a limited number of new homes. For this reason and because of the required prepayment on portions of the costs of municipal services, earnings may be realized over a somewhat longer period.

Traders Developments Limited—It is contemplated that the initial development of the lands owned by the Kitchener and Windsor, Ontario subsidiaries of this company will begin in early summer. Based on preliminary planning associated with these developments, sales have been projected over a four-year period. Earnings are expected to be nominal in 1968 but will increase in the succeeding years.

Domac Realty Limited—This company's office properties in Toronto and Ottawa are fully rented. At the end of the year, negotiations were under way for the sale of the Toronto building. In Ottawa, preliminary steps have been taken in the planning of an extensive commercial complex to effect greater utilization of the balance of the company's land holdings.

Aetna Factors Corporation Ltd.

With record new highs in volume of receivables purchased, in outstandings and in net profits, 1967 was the most successful year in the 15-year history of Aetna Factors Corporation Ltd.

The volume of receivables totalled $113,885,370, or 9.3 per cent higher than in 1966. Outstandings totalled $15,023,056 at December 31, 1967, compared with $14,333,989 at the same period the previous year—an increase of 4.8 per cent. Net earnings, after taxes, of $276,896, were 61.8 per cent higher than in 1966—the previous high. Two additional operational achievements made significant contributions to the company's overall excellent results. These were close control of administrative costs and a further sharp reduction in credit losses.

Arising from the recommendations of an internal management committee, organizational changes will be implemented in early 1968. These changes will strengthen the management base of the company and lay the foundation for its continued growth and the extension of its factoring and commercial financing facilities beyond existing markets. Preliminary forecasts anticipate further profit improvements in 1968.

After 10 years in the Traders Building, the Insurance Group moved at the year end to new downtown offices at 170 University Avenue to accommodate current and future space requirements. The Group occupies the top four floors of the Traders-owned prestige building.

Insurance Group

Canadian General Insurance Company

Toronto General Insurance Company

Traders General Insurance Company

The upward trend of the Insurance Group's growth and profit performance continued in 1967. For the 10-year period, the Group's volume in gross written premiums climbed from $13.4 million in 1958 to $32.3 million in 1967. It was $29.4 million in 1966. Capital and surplus increased in the same period from $9.3 million to $17.5 million in 1967.

Operating profit, before taxes, of the Insurance Group was $3.4 million in 1967, up $1.1 million over the 1966 figure of $2.3 million. Effective use of the Group's resources produced a return on capital employed, after taxes, of 11.75 per cent in 1967, compared with 10.57 per cent in 1966. The 10-year average return is 8.04 per cent.

It is anticipated that the Group's earnings in 1968 will continue at a satisfactory level, despite increasing competition in the casualty insurance portfolio and continuing pressure to maintain profitability in the automobile insurance portfolio as claim costs rise.

Measures to develop new business contributed substantially to the profit performance in 1967 of the automobile insurance portfolio. There was a net gain of 9.4 per cent in the number of automobiles insured.

The property-fire insurance account experienced a 19 per cent gain in net premiums in 1967. However, the profitability of property-fire insurance remains unsatisfactory because of the general absence of effective fire prevention measures among so many policyholders. This is a problem that all property-fire insurers must contend with. It indicates the need to consider a new rate structure which will give insurers a better return in relation to the risks they must assume.

In recent years the Group's rate of growth has consistently exceeded the industry average. The insurance companies are now represented across Canada by 1,390 agents.

Industrial Group

The operating profit of Frankel Structural Steel Limited in 1967 was the third highest of the past 10 years. But a strike of four and a half months among on-site ironworkers, and a general slowdown during the year in non-residential construction, prevented earnings from equalling the record years of 1965 and 1966.

Although substantial dividends were paid to the parent company, Frankel's liquid position increased during the year.

The assets of Kelsteel Limited, which operates under the name of Reinforcing Steel Products Company, were satisfactorily disposed of in August, 1967.

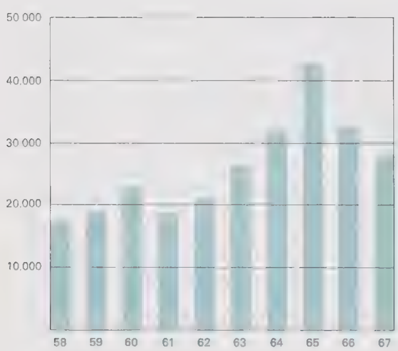
Long range demands for the company's products are excellent, but the company is subject to the short term cycles of the construction industry. The outlook for any substantial improvement in demand in 1968 is not promising at this time. The present building slowdown has, of course, increased competition which, together with increases in labour costs, is affecting profit margins. Earnings for 1968 are, therefore, not expected to be as high as in 1967.

Major projects completed in 1967 included those for Falconbridge Nickel Mines Limited at Falconbridge, Ontario, and for Noranda Copper Mills at Fergus, Ontario.

Frankel's work on the structural steel, framing and cladding for the Toronto-Dominion Centre will be completed in 1968, as well as their work on the Medical Science Building in Toronto, Osgoode Hall at York University, and the Bell Telephone Data Centre at Don Mills, Ontario.

Frankel Formwork Company

Profits of Frankel Formwork Company were also affected by the reduced volume of work available in 1967. However, this company started 1968 with an increased backlog, and profits in 1968 should be higher than in 1967. Frankel Formwork is presently completing major contracts for concrete forming on the Toronto-Dominion Centre second tower, the Toronto General Hospital Nurses Residence and Lakehead University Centennial Building, Port Arthur, Ontario.



TONNAGE – Fabricated Structural Steel

MATURITIES OF OPERATING ASSETS AND LIABILITIES

	Operating Assets	Operating Liabilities	Difference
Traders Group and Principal Finance Subsidiaries*	. . . In Thousands . . .		
1968	$243,527	$134,956	$108,571
1969	99,283	12,263	87,020
1970	40,911	25,602	15,309
1971	12,394	14,486	(2,092)
1972	9,543	5,660	3,883
1973-1977		31,309	
1978-1982	21,064	37,965	(154,854)
1983-1987		106,644	
INVESTMENTS	7,078	—	7,078
	433,800	368,885	64,915
Insurance, Industrial and other Finance Subsidiaries	70,488	34,548	35,940
Per Consolidated Balance Sheet	$504,288	$403,433	$100,855

ANALYSIS OF NOTES, MORTGAGES AND ACCOUNTS RECEIVABLE

Traders Group and Principal Finance Subsidiaries*	December 31, 1967	1966	1965	1964	1963
	. . . In Thousands . . .				
RETAIL					
Passenger Cars—New	$ 63,823	$ 65,640	$ 67,127	$ 63,234	$ 58,232
Passenger Cars—Used	30,931	31,093	34,852	34,516	36,012
Trucks & Farm Equipment	19,186				
Heavy Trucks, Commercial and Industrial Equipment	79,332	107,961	127,782	126,312	85,198
Other Products	17,321	11,228	15,997	23,821	29,037
	210,593	215,922	245,758	247,883	208,479
Wholesale	55,680	58,680	70,927	55,525	52,878
Leasing	5,609	5,842	7,955	†	†
Dealer Loans	11,746	12,944			
Mortgage Loans	31,543	43,535	71,293	54,709	36,282
Real Property Held for Resale	4,355	2,963			
Personal Loans	59,987	50,736	55,454	58,444	49,959
Home Improvement Loans	50,345	43,899	44,974	24,233	13,678
	429,858	434,521	496,361	440,794	361,276
Insurance, Industrial and other Finance Subsidiaries	28,176	29,931	32,777	26,538	15,500
Per Consolidated Balance Sheet	$458,034	$464,452	$529,138	$467,332	$376,776

* Trans Canada Credit Corporation Limited
Traders Realty Limited
Interprovincial Building Credits, Ltd.

†Included in Retail

COMPARATIVE SUMMARY OF CONSOLIDATED FINANCIAL STATISTICS

	... In Thousands ...						
	1967	1966	1965	1964	1963	1960	1955
Total Assets . . .	$521,737	$523,651	$583,504	$525,505	$432,015	$351,157	$247,905
Notes, Mortgages and Accounts Receivable (Gross)	458,034	464,452	529,138	467,332	376,776	310,295	219,361
Secured and other Debt	357,018	362,004	418,834	391,177	316,047	259,240	173,065
Preferred Shares . .	14,117	14,476	14,664	4,139	4,189	7,462	8,025
Common Shares and Surplus	48,877	47,686	47,982	45,348	43,906	33,877	28,378
Total Income . . .	93,449	95,169	98,001	85,866	71,545	50,296	*not available*
Interest and Borrowing Costs	21,857	21,969	22,886	18,895	15,113	13,063	5,432
Insurance Claims Incurred	15,314	14,849	12,284	10,781	10,947	7,845	5,453
Administrative Expenses and Depreciation .	22,832	21,953	21,183	19,651	17,275	13,186	8,867
Net Profit after Taxes and Minority Interest . .	4,724	3,981	6,012	5,528	3,295	4,189	4,686
Net Profit available for Common Shares . .	4,014	3,256	5,676	5,315	3,090	3,814	4,282
Common Shares Dividends Paid . .	2,652	3,536	3,530	3,515	3,512	3,044	2,930
Number of Shares outstanding . .	4,420	4,420	4,414	4,402	4,391	3,805*	3,712*
Earned per share .	$0.91	$0.74	$1.28	$1.21	$0.70	$1.00*	$1.15*
Paid per share . .	$0.60	$0.80	$0.80	$0.80	$0.80	$0.80*	$0.80*

*On comparative basis to reflect 3 for 1 split in May, 1962.

TRADERS GROUP LIMITED

MEMBER COMPANIES

Finance Group	*Consumer Financing Division—Traders Group Limited*
	Industrial Financing Division—Traders Group Limited
	Personal Loan Division—Trans Canada Credit Corporation Limited
	Homeplan Division—Interprovincial Building Credits, Ltd. *—Traders Mortgage Company* *—Homeplan Realty Limited*
	Realty & Mortgage Division—Traders Realty Limited *—Domac Realty Limited* *—Forest Glenn (Dixie) Limited* *—Traders Developments Limited*
	Traders Properties (Church St.) Limited
	Aetna Factors Corporation Ltd.
Insurance Group	*Canadian Insurance Shares Limited*
	Canadian General Insurance Company
	Toronto General Insurance Company
	Traders General Insurance Company
Industrial Group	*Frankel Steel Construction Limited*
	Frankel Structural Steel Limited
	Frankel Formwork Company

TRADERS
GROUP LIMITED

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